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TRADE AND DEVELOPMENT BOARD

Ninth Special Session (Third Part)

SUMMARY RECORD OF THE 491st MEETING

held at the Palais des Nations, Geneva,
on Wednesday, 8 March 1978, at 11.25 a.m.

President: Mr. ATHULATHMUDALI (Sri Lanka)

CONTENTS

Procedural matters (agenda item 1) (continued):

(a) Organization of work of the session (continued)

Pursuant to Conference resolution 94 (IV), review of actions concerning the indebtedness of developing countries, in particular, the discerning of features which could provide guidance in operations relating to debt problems (agenda item 2) (continued)

Consideration of proposals made by developing countries and of other views expressed at the first and second sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries as reported in documents TD/B/670 and TD/B/685 and Add.1-3 (agenda item 3) (continued)

Consideration of Board decision 149 (XVI) relating to least developed, developing island and land-locked developing countries (agenda item 4) (continued)

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1. The PRESIDENT, after declaring the meeting open, said that he would suspend it briefly to enable the Committee of the Whole to hold its first meeting and elect its Chairman.

The meeting was suspended at 11.25 a.m. and resumed at 11.50 a.m.

PROCEDURAL MATTERS (agenda item 1) (continued):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK OF THE SESSION (continued)

2. The PRESIDENT invited the Board to elect a Chairman for the Working Group established at the 489th meeting.

3. Mr. MESSMI (France) nominated Mr. Kastoft (Denmark) for the office of Chairman of the Working Group.

4. Mr. BRILLANTES (Philippines), Mr. OSMAN (Somalia) and Mr. PANKIN (Union of Soviet Socialist Republics) supported the nomination.

5. Mr. Kastoft (Denmark) was elected Chairman of the Working Group.

The meeting was suspended at 11.55 a.m. and resumed at 11.40 p.m.

PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCERNING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 9) (continued) (TD/B/688 and Corr.1 (E only), TD/B/685/Add.1 and Corr.1 (E only) and Add.2-5, TD/B/690, TD/B/695, TD/B/697; TD/AC.2/9 and Corr.1 (E only); TD/B/WG.9/30)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REPORTED IN DOCUMENTS TD/B/670 AND TD/B/685 and Add.1-5 (agenda item 8) (continued) (TD/B/690, TD/B/695, TD/B/697; UNCTAD/C.A/1022)

CONSIDERATION OF BOARD DECISION 149 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (continued) (TD/B/681 and Add.1, TD/B/690, TD/B/695, TD/B/697)

6. Mrs. OESTERGAARD (Denmark), speaking on behalf of the European Economic Community, said that the members of the Community welcomed the opportunity to participate in the ministerial meeting, which had a limited number of issues on its agenda, each of which was intended to consider in turn.

7. In recent years, the world had changed in many ways, not only with respect to technical innovations and evolving economic relationships but also with respect to basic attitudes within and between its various societies. The interdependence of the world's societies was increasingly recognized as was the need for solidarity not only with one's own people but with the peoples of all countries.

8. The members of the European Economic Community, while endeavouring to integrate their economies on a basis of mutual interdependence and solidarity, had not become inward-looking. The Community had always been keenly aware of the need for co-operation with other countries, both developed and developing, and had played an instrumental role in initiating the highly important north-south dialogue.

9. Two of the items on the Board's agenda related to the indebtedness of the developing countries. Such indebtedness did not necessarily indicate the financial or economic weakness of those countries but rather their determination to continue their growth, often in very difficult circumstances. The whole international community had an important stake in ensuring the success of those efforts and would have to create conditions which would control inflation, facilitate an increase in world trade and strengthen resource transfers, thus providing the basis for a resumption of sustainable economic growth.

10. Having analysed the current debt situation of the developing countries, the European Economic Community was convinced that solutions should be sought on a case-by-case basis and that the appropriate remedial measures should be tailored to the individual debtor country. It was in the interests of both creditor and debtor countries that the developing countries should succeed in avoiding debt-servicing difficulties in a way consistent with full development. Continued co-operation between developing countries, international financial institutions and donor countries had therefore to be ensured. By efficient management of resources, it should be possible to avoid financial problems that unduly hampered the progress of developing countries towards economic and social development. Against that background, the Community's response to the mandate set forth in Conference resolution 94 (IV) was to propose a framework of features which could provide flexible guidance in respect of future operations relating to debt problems in the developing countries.

11. Such a framework should distinguish between two solutions, one comprising the features characterizing debt reorganization in default situations and the other relating to remedial measures for situations of a longer-term nature. The countries concerned and the international community at large had to be certain that appropriate measures could be taken both quickly and firmly. The adoption of such a framework would be to the advantage of developing and donor countries alike. EEC/United States proposals along those lines were annexed to the report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries on its second session (TD/B/635/Add.1). It was intended that the proposals in question would be formally submitted to the Board.

12. The question of indebtedness was only one of a number of constraints facing the least developed countries, whose severe long-term problems called for long-term solutions. The Community had given wholehearted support to the principle of special measures in favour of those countries endorsed in Conference resolution 96 (IV) and its actions had lived up to its words. Between 1970 and 1976, the bilateral assistance provided by its member States to the least developed countries had more than trebled, the least developed countries' share of its total aid flows rising from 12 per cent to 16 per cent.

More recently, the members of the Community had provided nearly 37 per cent of the $7.6 billion replenishment of the resources of the International Development Association (IDA). Furthermore, the overall grant element of the assistance extended by those States to the least developed countries was well above average for members of the OECD Development Assistance Committee as a whole.

13. The Community had considerably increased the least developed countries' share of its aid flows and had adopted a number of policies designed to be of particular assistance to them. In that connexion, the Lomé Convention's wide range of instruments in the fields of both financial assistance and trade provided a coherent response to the needs of a large group of the world's poorest countries, including 19 of the 29 countries classed as least developed by the United Nations and 9 other poor countries. Those countries, which accounted for 40 per cent of the population of the developing countries parties to the Convention, were expected to receive about two thirds of the European Development Fund's total aid on extremely favourable terms, while also enjoying under the Convention preferential treatment designed to stabilize their export earnings.

14. The Community, acting in the spirit of the Tokyo Declaration, was seeking to define preferential treatment in the context of the multilateral Trade Negotiations and, on its own initiative, had introduced certain concessions into its scheme of generalized preferences.

15. More than half of the Community's food aid - amounting to a grant of more than $250 million per annum - went to the least developed countries.

16. In the Conference on International Economic Co-operation, the Community had launched the initiative which had led to the establishment of the $1 billion Special Action Programme and its member States were contributing to that Programme, through IDA, some $285 million or nearly two fifths of the total amount.

17. She had mentioned those activities only in order to underline the need for a comprehensive approach to the problems of the least developed countries and to emphasize the whole rather than any particular aspect. The 1977 Meeting of Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries had made very much the same point and its report (TD/B/681) had rightly stressed the need to increase aid flows, improve terms and conditions and increase absorptive capacity.

18. The European Economic Community believed that such measures would provide a useful guide to future policy and it was giving serious consideration to the suggestions made by the Secretary-General of UNCTAD concerning an adjustment of the terms of past bilateral official development assistance.

19. Speaking as the representative of Denmark, she said that the Danish Government fully understood the serious problems facing some of the least developed countries and arising, inter alia, from their increasing debt burden. It recognized the need for initiatives to increase official development assistance to those countries and was ready to act with the greatest possible flexibility towards that end.

24. Although British development loans were extended to land-locked developing countries on very soft terms, corresponding to a grant element of 86 per cent, her Government was contemplating a further softening of the terms of future lending to those countries.

31. A group of the least developed countries needed more substantial and tangible assistance forthwith. Her Government had established, on the basis of official statistics, the economic situation of those developing countries which had received British development loans in the past and had identified a number of countries for which the repayment of their official debt would seriously hamper future economic growth. Her Government was considering possible ways of helping to solve those countries' indebtedness problems. It intended to arrive at arrangements tailored to the specific needs of the individual country and the measures envisaged could, if necessary, include complete cancellation or rescheduling of the loans.

32. Her delegation hoped that, in the near future, the necessary negotiations with the group of less-developed developing countries would begin and would lead to tangible and satisfactory results.

33. Mr. WILLIAMS (Guyana) said that the indebtedness of the non-oil-producing developing countries had increased dramatically from $US billion in 197[illegible] to almost $200 billion at present. During the same period their debt-servicing obligations had increased from $8 billion to more than $35 billion, and the terms of the debts had stiffened, primarily as a result of the resurge in private debts.

34. These changes had severely affected the development prospects of the poorer developing countries: a steadily increasing share of their meagre foreign exchange earnings (at present more than 15 per cent) was being devoted to debt-servicing; the ratio of annual debt-service payments to levels of foreign currency reserves frequently amounted to about 50 per cent; and for the least developed and most seriously affected developing countries, total external debts represented 30-40 per cent of their GNP. It was therefore no exaggeration to say that the debt burden of developing countries constituted a serious international problem.

35. The four-fold increase in oil prices and rapid inflation in the early and mid-1970's had had a fundamental impact on the world economy. Among the members of OECD, some countries had emphasized full employment and accepted growing balance-of-payments deficits; others had concentrated on combating inflation and had permitted rather high levels of unemployment.

36. The majority of the developing countries, on the other hand, had had little choice, their options being limited by poverty itself. Most of them had not been in a position to compensate for growing deficits by increased export prices for commodities, manufactured goods or services. Many of those countries had suffered acute food problems, which had made the situation even worse. Increased assistance had been requested in order to meet oil import bills. However, the results of those pleas had been meagre in terms of additional resource transfers. The poorest countries had experienced stagnation as a result of declining growth rates and increasing needs, while the not so poor had in many cases been able to resort to increased external borrowing.

27. Another important aspect of the debt problem was the growing awareness of global interdependence. The poverty gap between north and south was no longer a philanthropic issue, and the slogan "One world" had more economic connotations than when it had first been coined. The handling of the debt problem was an important element in the preservation of a viable world economy. Failure to handle it adequately could have serious repercussions on the economies of both developed and developing countries. Those simple facts should be highlighted at the present session of the Board and should serve as a reminder that the debt issue could not be dealt with in isolation, since indebtedness formed part of a much broader economic picture. Any meaningful discussion of debt problems must be related to the general development situation of the countries concerned.

28. The economic situation of the poorest countries was particularly serious. During the past four years their growth rate had averaged 0.5 per cent as compared with more than 3 per cent for the middle-income countries. The level of internal savings of those countries had remained low and the cost of their imports of oil and manufactured goods had increased dramatically. Furthermore, net resource flows from developed countries and multilateral institutions had stagnated and most of the poorest countries were faced with a continuing trend of low or even declining real export earnings. Consequently, the ratio of debt to annual exports had increased substantially for that group of countries as a whole.

29. The total debt burden and debt-service obligations of the poorest countries might appear manageable in nominal terms, and that was largely because those countries had not been regarded as sufficiently creditworthy to gain access to ordinary capital-market borrowing. Even the non-ODA part of the outstanding debts of the poorest countries was rapidly increasing. Given their pressing resource needs and the inadequacy of their export earnings and of the official development assistance they received, they had no choice but to resort to the expensive and volatile market of short-term private loans and commercial credits. The development prospects of the poorest countries were therefore not bright. Those countries would continue to find ever low levels of indebtedness unbearable and, if the present situation continued, they would soon encounter acute debt problems.

30. The situation of the richer, middle-income countries was different but in no way less disturbing. Over the past four years their debt burden had more than doubled. In 1978 their debt-service obligations had been double the total ODA extended to them. Many of those countries would have to devote more than a quarter of their export earnings to debt servicing and would encounter serious bunching problems within the next few years. For those countries the alternative to increased borrowing would have been a dramatic reduction of internal economic activity, which would in turn have resulted in severe suffering for the large poorer segment of their population.

31. Another aspect of the debt issue was that the accumulation of debts in the developing countries had had a considerable favourable effect on stagnating economies in the developed world. Those debts had generated sizeable export orders and millions of jobs in the countries members of OECD and many developing countries, by resorting to borrowing during the oil crisis, had substantially reduced the impact of the economic crisis in the industrialized countries. That development vividly illustrated the fact that borrowing by developing countries had become an important element in international interdependence and it was therefore an issue to be solved jointly if there was not to be serious general destabilization.

32. Against that background, it was not surprising that the mounting debts of developing countries had constituted one of the most important - and unresolved - issues in the north-south dialogue. It was disappointing that the international community had so far made no substantial progress on that issue despite painstaking endeavours at the fourth session of the United Nations Conference on Trade and Development and at the Conference on International Economic Co-operation (CIEC). The present meetings at the Board therefore provided a golden opportunity for breathing new life into the stagnating north-south dialogue. That opportunity should not be missed. Other measures in dealing with the debt issue would have not only an economic impact, but also a great psychological and political impact.

33. As his delegation had announced at the thirty-second session of the General Assembly, Sweden intended to write off all its aid credits to the least developed and most seriously affected countries. It had taken that initiative in the hope that other countries would follow its example, and to that end, it had submitted, at the present session of the Board, flexible proposals for increased resource transfers, including ODA debt relief, to the poorest developing countries.

34. Debt cancellation was not the only means of alleviating the debt burden of the poorest countries. Similar effects might be achieved by other measures which might be more acceptable to creditor countries. Such measures might include increased ODA, the retroactive adjustment of terms of all loans and a general improvement of the terms of loans to the poorest countries. Regardless of the means chosen, it was important to give at the present session a clear commitment that positive measures would be taken.

35. Such a decision would not place an excessive burden on any country. If all the industrialized countries decided to write off all outstanding ODA credits to the poorest countries, the impact on their economies would correspond to about 0.013 per cent of their combined GNP. On the recipient side, such action would be approximately equivalent to a 10 per cent increase in present ODA flows. Thus the additional effort required would by any definition be a marginal one.

36. And yet there were serious apprehensions about the whole concept of direct debt relief. It had been said that it was against established rules and morality; that one should not try to solve problems in the international credit system by calling its foundations in question; and that if the developing countries needed help, it should be provided in the form of increased aid and not debt relief. In fact, a whole arsenal of arguments had been marshalled against debt cancellation. If the rich countries had been willing to provide more aid in the first place, however, the present situation would not have arisen and the poorest countries would not have been forced to borrow funds in non-concessional markets.

37. It was also alleged that debt relief was counterproductive since it might erode a country's creditworthiness. That argument was unconvincing, since debt relief as a single, clearly delimited operation in favour of the poorest countries should be regarded as an appropriate and refined form of resource transfer. It resulted in an improved balance-of-payments situation and improved creditworthiness for each country concerned. From the standpoint of banking psychology, it was unreasonable to compare the reaction against defaulting "clients" with the effect of a limited debt-relief decision initiated by the creditor community itself. The transactions involved were not ordinary commercial credit transfer actions but marginal measures limited to ODA.

38. The IDA debt problems of the poorest developing countries therefore appeared to be quite soluble. Obviously, however, the Board should also tackle the much greater and more difficult issue of the establishment of an equitable framework for managing the general debt problem of developing countries. That was not an abstract technical issue. It must not only be considered in a development context and handled with an eye to the development priorities of the developing countries themselves, but it must also be realized that an overall, development-oriented framework for handling general debt issues was an essential requirement for the continued health and stability of the world economy.

39. In his opinion, the proposals made by UNCTAD by a number of developing countries and by the United States and the European Economic Community in their recently circulated common position constituted a reasonable framework for such negotiations. At the least the Board should be able to agree on follow-up action on those proposals. His delegation therefore suggested that a special working party or expert group should be established to consider the problem with a view to producing positive results in time for the fifth session of the United Nations Conference on Trade and Development.

40. The Board should take two-fold action: it should [illegible] to alleviate the debt burden of the poorest countries by means of debt cancellation or equivalent measures; and it should recommend modalities for the long-term task of reconstituting the overall debt burden of developing countries which face serious repayment problems. The general problem was admittedly much more difficult, but his delegation had no doubt that action in both areas was necessary for stable international economic development and improved [illegible] between debtor and creditor nations. It shared the view that [illegible] should be used in dealing with debt issues. It was not called upon to be an [illegible] banking standpoint. The main objective was rather to bring about, or at least promote, the flow in economic development assistance to the poor and the rich countries.

41. Mr. WANG (China) said the fact that the present important meetings of the Board were being held was due to the vigorous efforts of the developing countries. His delegation hoped that, during the present session, decisions would be taken to alleviate the debt burden of those countries as a practical step towards the establishment of a new international economic order.

42. The debt problem constituted an important issue in economic relations between the developing and the developed countries. The indebtedness of the former countries was already considerable, having increased from $50 billion in 1969 to $200 billion in 1976. The increase had been particularly rapid in the past five years and repayment of principal and interest was becoming an increasingly heavy burden. In 1976 debt-servicing alone had cost $52 billion and some countries had been obliged to contract new debts in order to repay old ones. The debt problem was not only serious but also widespread. More than 100 developing countries had debts of varying amounts and over 30 such countries owed more than $100 million each. That problem would not but hinder the development of the countries concerned, jeopardize their people's livelihood and even endanger political stability in some countries. In those circumstances, it was reasonable and even necessary for them to demand immediate and generalized alleviation of their indebtedness.

47. The huge accumulation of debts in the developing countries bore witness to exploitation by the super-Powers. The super-Power that professed to be a "natural ally" of the developing countries could not conceal its insidious exploitation and plunder of those countries, despite its repeated protestations of non-responsibility for their plight. As a latecomer among the imperialist countries, it was more rapacious than its predecessors and had outdone them in exploiting and plundering the developing countries. It sold arms and production equipment at high prices under the pretext of giving military and economic aid. It made a practice of taking advantage of other countries' difficulties to press for debt repayment, to buy at excessively low prices the products of the enterprises built with its assistance and to reap enormous profits from them. It used its loans and accessories and spare parts for aid projects as a means of controlling other countries and interfering in their internal affairs. It tried to throttle those who rejected its leadership and even to subvert their Governments.

48. In its economic relations with the developing countries, that super-Power was guilty of economic control, exploitation and plunder as well as of political bullying, interference and aggression. It had a clear responsibility for the insolvency of the developing countries, and no mask of "socialism" could possibly absolve it from that responsibility.

49. The solution of the debt problem was an important part of the efforts to establish a new international economic order and must be linked to the struggle against monopoly and exploitation by imperialism and the super-Powers and to the abolition of the old system of international economic relations. The Chinese delegation supported the reasonable proposals made by the developing countries for a generalized solution of that problem. It supported their reasonable request for a reduction or cancellation of their debt burdens and for increased financial aid for development. It supported the proposal for debt reorganization in favour of the developing countries. It noted that some second world countries had committed themselves to alleviating the debt burden of the developing countries with a view to improving their economic co-operation with them. Their initiatives were of positive significance for the discussions on the debt problem.

50. His delegation had consistently maintained that the only way for a country to develop its national economy was to rely on its own manpower and material and financial resources and to implement a policy of independence and self-reliance. It might also be necessary for a developing country, depending on its development needs and special requirements at a certain stage, to borrow external financial resources in order to develop its national economy. His delegation maintained that economic assistance to developing countries must strictly respect the sovereignty of the recipient, must not be accompanied by political or military requirements and must not extort special privileges or excessive profits. Loans to developing countries should be interest-free or at low rates of interest and should allow delayed repayment of capital and interest, when necessary.

51. His delegation opposed the exploitation of developing countries by usury or blackmail in the name of assistance and believed that there should be proper guidelines for debt reorganization for those countries. It also opposed any attempt by any super-Power to exploit the developing countries' desire to give

priority to settling the debt problem of the least developing countries, and any attempt to replace development aid by the idea of satisfying "basic needs", thereby creating confusion on the part of the developing countries and diverting them from the struggle for the establishment of a new international economic order. In tackling the debt problem, full consideration must be given to the difficulties of the recipient countries. His delegation firmly opposed the practice of taking advantage of other countries' difficulties to press for debt repayment.

52. The Board should take action at the present session to mitigate the developing countries' debt burden and should continue to follow the general course charted by the General Assembly at its sixth special session on implement General Assembly resolution 32/197 and other principles adopted by UNCTAD on the question of solution of the debt problem of the developing countries.

53. Mr. TERVAHO (Finland) said that his country has introduced development credits only to a limited extent in its bilateral assistance programme. They had been granted on highly concessional terms and had not, therefore, given rise to any substantial debt servicing problems. However, recognizing that even moderate debt servicing might affect the economies of the poorest developing countries, Finland had already adjusted its development assistance policies. Thus, from 1977 onwards, its official development assistance (ODA) to the least developed countries has been provided on a grant basis. His Government had also decided to extend until the beginning of the next decade amortization payments on outstanding official development credits to those countries.

54. The question of the debt relief for the least developed countries and other countries in a similar economic position had been under careful consideration for some months. Although a final decision had not yet been taken, Finland was prepared to contribute actively towards a generally acceptable solution which would improve relatively the external financing situation of those countries. His Government considered that a dual approach should be adopted: on the one hand, the existing debt servicing burden of the least developed countries should be alleviated and, on the other, new resources should be allocated for their development. Action to deal with the debt burden should be viewed as a means of achieving a net increase in ODA flows to those countries. The Finnish Government had decided to set a medium-term intermediate target of at least doubling its present official development assistance.

55. At its fourth session, the Conference had drawn attention to the need to identify features which could provide guidance in future debt operations. His Government supported the idea of analysing and further developing the various proposals concerning common features or guidelines for the conduct of debt re-negotiations whenever serious debt servicing problems arose.

56. The convening of the Board at the ministerial level was a historic occasion and a clear recognition of UNCTAD's role in the North-South dialogue. Finland fully supported that role and believed that, by taking constructive action now, the Board could contribute to progress in the dialogue, the ultimate goal of which was and must be the establishment of the new international economic order.

37. Mr. PATTERSON (Jamaica) said that the first meetings of the Board at Ministerial level had profound implications for the negotiations on establishment of the new international economic order; failure to advance negotiations on the problem of the indebtedness of the developing countries would indeed be regrettable.

38. Jamaica entirely agreed that there must be an end to analysis and assessment of the indebtedness of the developing countries, because the gravity of the problem demanded immediate action. His delegation was concerned and disappointed at the fact that the exhortations to identify practical solutions had not resulted in the presentation of specific proposals in the statements made by many of the developed countries. The international community could not continue to display gross indifference to a problem which vitally affected future levels of economic activity and the all-important objective of full world-wide employment. The interdependence between developing and developed countries was nowhere more evident than in the area of international financing and debt servicing. That interdependence had been recognized by the Group of 77 in the position it had adopted on the most crucial of developing countries in the 1976 Manila Declaration. That position had covered the main requirements of a developing world seeking to involve the whole of its population in the development process. During the ensuing dialogue and negotiations, that position had been substantially modified, not because it had been proved, but merely in the interests of reaching some agreement.

39. His delegation considered that the statement made by the spokesman for the Group of 77 at the 488th meeting represented the minimal position of the developing countries. That statement had included specific proposals for action to be taken immediately in respect of official debts. His Government fully supported those proposals. The importance of commercial debts had been overemphasized, since they constituted at least half of the total debt owed by the developing countries.

40. The developing countries were major clients of the international market and would continue to be so, provided that a relationship of confidence could be maintained between the developing countries and their creditors, on the basis of respect for contractual obligations. However, the fact must be faced that some developing countries were compelled to raise further loans solely in order to finance debt servicing of existing loans. In addition, the developing countries urgently required new loans if they were to finance essential development programmes. Unless resolved, the resulting problems, both for borrower and lender country, could lead to the delaying of development projects, with the likelihood of social upheaval, financial chaos and widespread economic disaster in developed and developing countries alike.

41. If the very low growth rate of the developing countries continued at the same level, their current account deficit, given the present terms of production, could be about $XX billion per annum. Continued borrowing by those countries, not only to finance growth but also to service their existing debt, would cause their total debt to double over the next three or four years. The effect of that level of debt servicing for the developing countries was clear to all. Indeed, even with a much lower level of debt servicing at present, the developing countries were having difficulty in meeting their commitments and had curtailed development programmes. The commercial debt of developing countries must be further examined to determine the possibilities of the financial facilities needed to avert international financial disaster.

62. The Government of Jamaica subscribed to the guidelines for debt reorganization proposed by the Group of 77. It agreed that the guideline should contain elements which took into account the interests of both creditor and debtor countries. It believed that all major parties should be participants in any renegotiation exercise. However, it was imperative that the internal situation as well as development prospects should be considered in any such exercise. His Government considered that the need for immediate action and the need to establish guidelines for future debt-reorganization were closely linked. Decisions on the machinery for future debt reorganization and action for immediate relief must be taken concurrently.

63. The level of his Government's participation in the third part of the ninth special session was indicative of its support for Ministerial involvement to ensure that appropriate decisions were taken and that the crucial breakthrough was finally made.

64. Mr. DAMIS (Greece) said that his delegation associated itself with the statement made on behalf of Group B, but wished nevertheless to indicate briefly the position of the Greek Government on the question of the external debt of the developing countries. The two sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, by bringing about a better understanding of the question and identifying the different positions, had facilitated the Board's task of achieving concrete and positive results. With regard to the outstanding official debt of the least developed countries, there appeared to be general agreement on the urgent need for measures to ease the burden of external indebtedness of those countries with the lowest per capita income. For that reason, his delegation welcomed the action taken by a number of developed countries in that direction.

65. Measures on behalf of the poorest countries could be taken without creating a dangerous precedent or encouraging non-observance of financial commitments by other developing countries. There was no need to emphasize the justification for such a course and its favourable impact on the development of that group of countries and on their balance- -payments situation.

66. The problems posed by the external indebtedness of the developing countries were not insoluble. Consequently, in view of the difficulties involved in a global approach to those problems due to the different forms of that indebtedness, the remedies should be suited to each individual case. Specific international financial action should be taken within the framework of the existing multilateral machinery to ensure debt servicing and improve its management, as well as to ease the balance-of-payments situation of the debtor developing countries. That machinery should also be used to find ways and means of contributing effectively towards satisfying the increased additional resource requirements of those countries.

67. At the last annual meeting of the International Monetary Fund, Professor Solotas had proposed the establishment of a multilateral scheme to assure and guarantee loans granted to the developing countries. The objective of such a scheme was to strengthen the international capital market and facilitate access to it by developing countries requiring financial resources. The transfer to the developing countries of additional resources would ensure their economic and social expansion and the industrialized countries would also benefit since there would be an increased demand from the developing countries for their capital goods. The result would be an increase in international trade with benefits for all countries in the present period of recession.

68. The Greek delegation considered that the proposals made by the European Economic Community and the United States of America at the Conference on International Economic Co-operation on features which could provide guidance for future operations relating to debt problems constituted a useful basis for the work to be done in that field. In its view, the Board, at its present session, should outline the course to be followed in determining the different possible ways of reorganizing the external indebtedness of the developing countries and the framework within which financial resources could be channelled towards those countries, regard being had to the requirements of economic interdependence and of the new international economic order.

The meeting rose at 1 p.m.